



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

September 17, 2008

Christina Bradley
Interim Dean of Economic Development
Santa Clarita Community College District
26455 Rockwell Canyon Road
Santa Clarita, CA. 91355

Dear Ms. Bradley:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET04-0471 for the period October 6, 2003, through October 5, 2005.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

Original signed by:

Charles Rufo
Audit Director

Enclosures

cc: Kristin Houser, Director, Employee Training Institute

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

Agreement No. ET04-0471

Final Audit Report

For The Period

October 6, 2003 through October 5, 2005

Report Published September 17, 2008

Charles Rufo, Audit Director
Telephone: (916) 327-5439

Audit Staff: James Lee

Employment Training Panel
Audit Unit
1100 J Street FL 4
Sacramento, CA 95814-2827

TABLE OF CONTENTS

| | <u>Page Number</u> |
|---|--------------------|
| AUDITOR'S REPORT | |
| Summary | 1 |
| Background | 2 |
| Objectives, Scope, and Methodology | 2 |
| Conclusion | 3 |
| Views of Responsible Officials | 3 |
| Audit Appeal Rights | 3 |
| Records | 4 |
| | |
| SCHEDULE 1 - Summary Of Audit Results | 5 |
| FINDINGS AND RECOMMENDATIONS | 6 |
| | |
| <u>ATTACHMENTS</u> | |
| ATTACHMENT A - Appeal Process | |
| ATTACHMENT B - Table of Disallowed Trainees | |

AUDITOR'S REPORT

Summary

We performed an audit of Santa Clarita Community College District (Santa Clarita CCD), Agreement No. ET04-0471, for the period October 6, 2003, through October 5, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period April 23, 2007, through August 20, 2007.

The Employment Training Panel (ETP) paid Santa Clarita a total of \$555,375. Our audit supported that \$549,602 is allowable. The balance of \$5,773 is disallowed and must be returned to ETP. The disallowed costs resulted from three trainees who were not employed in eligible occupations, two trainees who did not meet full-time employment requirements, one trainee who was concurrently enrolled in multiple job numbers, and one trainee who did not meet post-training retention requirements.

AUDITOR'S REPORT (continued)

Background

This Agreement is the sixth training project between ETP and Santa Clarita Community College District (Santa Clarita CCD). Founded in 1969 and also known as College of the Canyons, the Contractor is a fully accredited community college which offers a range of vocational and academic programs to over 14,000 students.

Santa Clarita CCD plans to train employees of small and medium-sized businesses in biotech, aerospace, and manufacturing industries. According to the Contractor, due to technology advancements and lower wages of workers outside of California, these businesses are facing strong out-of-state competition. Technical skills in manufacturing and computer-aided design, as well as soft skills in team communication and problem-solving, are needed as employers seek to remain competitive by developing new products, meeting quality standards, and employing lean manufacturing techniques. Santa Clarita CCD proposes that providing training would allow the participating employers to transition to a high-performance workplace, prevent the displacement of workers, and promote California's workforce.

This Agreement allowed Santa Clarita CCD to receive a maximum reimbursement of \$731,992 for retraining 1,058 employees. During the Agreement term, the Contractor placed 803 trainees and was reimbursed \$555,375 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of Santa Clarita CCD. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that Santa Clarita CCD complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

AUDITOR'S REPORT (continued)

- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

| | |
|--------------------------------|--|
| Conclusion | As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Findings and Recommendations Section of our report, our audit supported \$549,602 of the \$555,375 paid to the Contractor under this Agreement was allowable. The balance of \$5,773 was not earned according to the terms of the Agreement and must be returned to ETP. |
| Views of Responsible Officials | <p>The audit findings were discussed with Dena Maloney, Dean of Economic Development, and Kristin Houser, Director of Employee Training Institute, at an exit conference held on April 26, 2007, and via e-mail on August 29, 2007. Ms. Houser stated the new Contractor Representative is Christina Bradley, Interim Dean of Economic Development, and agreed to bypass the draft report and proceed directly to the final audit report.</p> <p>The issuance of your final audit report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning September 4, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$545.62, which was deducted from the total accrued interest.</p> |
| Audit Appeal Rights | If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached). |

AUDITOR'S REPORT (continued)

Records

Please note the ETP Agreement, Paragraph 5 a.1., requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or three (3) years from the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: August 20, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0471 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Audit Results

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

AGREEMENT NO. ET04-0471

FOR THE PERIOD

OCTOBER 6, 2003 THROUGH OCTOBER 5, 2005

| | <u>Amount</u> | <u>Reference*</u> |
|--|--------------------------|-------------------|
| Training Costs Paid By ETP | <u>\$ 555,375</u> | |
| Costs Disallowed: | | |
| Ineligible Trainee Occupations | 2,694 | Finding No. 1 |
| Full-Time Employment Requirement Not Met | 1,668 | Finding No. 2 |
| Ineligible Trainee Enrollment | 855 | Finding No. 3 |
| Post-Training Retention Requirement Not Met | <u>556</u> | Finding No. 4 |
| Total Costs Disallowed | <u>\$ 5,773</u> | |
| Training Costs Allowed | <u><u>\$ 549,602</u></u> | |

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Ineligible Trainee Occupations

Santa Clarita Community College District (Santa Clarita CCD) received reimbursement for three trainees who were not employed after training in one of the occupations specified in the Agreement. As a result, we disallowed \$2,694 in training costs claimed for these trainees [(1 Job No. 1 trainee x \$855) + (1 Job No. 2 trainee x \$1,283) + (1 Job No. 3 trainee x \$556)].

Paragraph 5(i) of the Agreement between Santa Clarita CCD and ETP states, “No senior level managers or executive staff who set company policy are included in ETP-funded training under this Agreement.”

Exhibit A, Paragraph VII of the Agreement states, “Employment for each trainee shall be in the occupations listed in [the Agreement]...” The occupations identified in the Agreement for Job Nos. 1, 2, and 3 trainees were Assembler, Administrative Staff, Technician, Engineering Staff, Maintenance, Shipper, Supervisor, and Manager.

Participating employers identified the occupations of Trainee Nos. 1, 3, and 7 during their respective retention periods. These trainees were employed as senior level managers or executive staff, which are ineligible occupations per the Agreement. The table below identifies the retention period, hourly rate and position title for these trainees.

| Trainee No. | Job No. | Hourly Rate | Retention Period | Position Title |
|-------------|---------|-------------|---------------------|-------------------------------------|
| 1 | 1 | \$78.25 | 11/02/04 - 02/02/05 | Vice President of Sales & Marketing |
| 3 | 3 | \$78.75 | 05/20/04 - 08/18/04 | Executive Vice President |
| 7 | 2 | \$90.50 | 05/25/04 - 08/23/04 | Vice President of New Technology |

Recommendation

Santa Clarita CCD must return \$2,694 to ETP. In the future, Contractor should ensure all trainees are employed in occupations identified in the Agreement before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Santa Clarita CCD received reimbursement for two trainees who were not employed full-time during their post-training retention period per Agreement requirements. As a result, we disallowed \$1,668 in training costs claimed for these trainees (2 Job No. 4 trainees x \$834).
Full-Time Employment Requirement Not Met

Exhibit A, Paragraph VII of the Agreement states “Each trainee must be employed full-time, at least 35 hours per week, with a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training.”

Two trainees were not employed full-time during their post-training retention period. The participating employers provided the hourly wage rates for Trainee Nos. 4 and 6. Employment Development Department (EDD) base wage information supported the average hours per week for Trainee No. 4; while the participating employer provided the average hours per week for Trainee No. 6. The schedule below shows the hourly wage rate, retention period, and average hours per week.

| Trainee No. | Job No. | Hourly Wage Rate | Post-Training Retention Period | Average Hours Per Week |
|-------------|---------|------------------|--------------------------------|------------------------|
| 4 | 4 | \$22.21 | 05/24/05 - 08/22/05 | 31 |
| 6 | 4 | \$19.50 | 09/01/04 - 11/30/04 | 18 |

Based on the hourly wage rates identified, EDD base wage information does not support these trainees were employed full-time during the identified retention period or any subsequent 90-day period up to the Agreement end date.

Recommendation Santa Clarita CCD must return \$1,668 to ETP. In the future, Contractor should ensure that trainees meet full-time employment requirements during their post-training retention period before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 3 – Santa Clarita CCD received reimbursement for one trainee who
Ineligible Trainee was concurrently enrolled in Job Nos. 1 and 3. As a result, we
Enrollment disallowed training costs claimed in Job No. 1 for this trainee in the
amount of \$855.

Exhibit A, Paragraph V of the Agreement states “...A trainee must complete all training and retention prior to subsequent enrollment in the same project. A trainee cannot be enrolled in the same job number more than once within the same project.”

Santa Clarita CCD's training records identify Trainee No. 5 first received training in Job No. 3 from February 1, 2005 through April 12, 2005. The trainee subsequently completed a retention period from April 13, 2005 through July 13, 2005. Therefore, this trainee would not be eligible for subsequent enrollment in another job number until July 14, 2005. However, Trainee No. 5 received training for Job No. 1 from April 4, 2005 to June 21, 2005, which was within the Job No. 3 training and retention period. As a result, Trainee No. 5 did not complete all training and retention prior to subsequent enrollment, and is therefore ineligible for Job No. 1 reimbursement.

Recommendation Santa Clarita CCD must return \$855 to ETP. In the future, Contractor should ensure trainees complete all training and retention prior to subsequent enrollment in the same project.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 4 – Employment information for one Job No. 3 trainee shows the
Post-Training Retention Requirement Not Met
trainee did not complete the required post-training retention period. As a result, we disallowed \$556 in training costs claimed for this trainee.

Exhibit A, paragraph VII. A. of the Agreement states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... The retention period shall be completed no later than the last day of this Agreement.”

Santa Clarita CCD reported that Trainee No. 2 completed a post-training retention period from January 25, 2005, through April 25, 2005. Since the trainee's actual last date of training was January 17, 2005, the retention period was modified to January 18, 2005, through April 18, 2005. However, based on Employment Development Department (EDD) base wage information, the trainee had no qualifying employment in California from April 1, 2005, through the Agreement term date. Thus, the trainee did not complete 90 days of full-time employment.

Recommendation Santa Clarita CCD must return \$556 to ETP. In the future, Contractor should ensure that trainees meet post-training retention requirements prior to claiming reimbursement from ETP.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006